

## **COUNTY OF PLACER**

OFFICE OF AUDITOR-CONTROLLER

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December 17, 2020

Mr. Marshall Hopper, Chief Probation Officer Placer County Probation Department 2929 Richardson Drive, Suite B Auburn, CA 95603

Re: Countywide Procurement Card Program Audit

Dear Mr. Hopper:

The Internal Audit Division of the Auditor-Controller's Office routinely reviews and/or audits the Procurement Card purchases. After completing the monitoring review for the period of January 1 to June 30, 2019, the Internal Audit Division initiated a compliance audit for the period of July 1, 2019 to March 13, 2020. The objective of the audit was to review Procurement Card usage for compliance with County policies and evaluate the administration of the Procurement Card Program for adequate internal controls.

We reviewed a sample of the Probation Department's (Department) Procurement Card purchases and related documentation files to ensure the Department's compliance with current policies and procedures, and to determine if adequate internal controls are in place and operating as designed. Based on our monitoring review and compliance audit, we determined there were several instances of non-compliance with County policies and procedures related to Procurement Card purchases, as well as areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows.

## **Observation #1- Unallowable Charges per County Policies**

We found instances in which the Cardholders used their Procurement Cards to pay for goods and services that are not allowed by County policies or expense that is not related to County business.

Section 1.3 of the Procurement Card Program Policy Manual (PCPPM) states, "If the card is used in an unauthorized manner, repayment must be coordinated with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Per Section 3.1.6 of the PCPPM states, "If there are Procurement Card unallowable charges per the applicable policies (e.g. Meals & Travel, Procurement Policy or other related or applicable

policies), the Cardholder shall provide payment, as reimbursement, to the Limited Program Administrator. The Limited Program Administrator will deposit the funds to offset the charge."

Food and Beverages for Normal Day-to-Day County Operations/Routine Staff Meetings

Example #1: Between 9/17/2019 to 3/3/2020, the Cardholder purchased food and beverages (e.g., coffee, pastries, granola bars, fruits, etc.) every month for the administrative meeting. However, Section 3.2C¹ of the Meals, Lodging, Travel, and Transportation Policy (MLTTP) does not allow the purchase of beverages and food for normal day-to-day County operations or routine staff meetings.

<b>Transaction Date</b>	Amount
9/17/2019	\$ 15.17
10/15/2019	\$ 18.83
11/18/2019	\$ 19.86
12/3/2019	\$ 17.27
1/20/2020	\$ 31.31
2/11/2020	\$ 10.03
3/3/2020	\$ 17.64
Total	\$ 130.11

#### <u>Unallowable Item by the Accounting Policies & Procedures Manual (APPM)</u>

<u>Example</u>: On 12/10/2019, the Cardholder purchased flowers totaling \$16.08 for the acknowledgement of effort and commitment by the Department's Community-Based Organizations (CBO) partner. However, page 58 of the APPM identified "flowers" as an unallowable item that is not permitted by public funds.

### Recommendation #1

We recommend the Department collect \$146.19 (\$130.11 + \$16.08 = \$146.19) to reimburse the County for the purchases of food and beverages (for day-to-day County operations/routine staff meetings), and the flowers which are unallowable per the APPM and MLTTP.

Also, we recommend the Cardholders and Approving Officials revisit and understand the PCPPM, MLTTP, and APPM to ensure that Procurement Card purchases are following all applicable County policies and procedures. In addition, we recommend the Department put a system in place to ensure, if a Cardholder uses the Procurement Card for unallowed purchases, that reimbursement to the County is made immediately.

## <u>Department's Response:</u>

The Department made these purchases under the belief that the purchases were in compliance 3.2.f of the MLTTP. MLTTP 3.2f states, in full:

<sup>&</sup>lt;sup>1</sup> Section 3.2C is now Section 3.2f in the revised MLTTP that was updated on 5/5/2020.

## "f. Miscellaneous Expenses for Meetings and Special Events

Department Heads or designee may authorize other miscellaneous expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at board or commission meetings, seminars, and workshops that extend over normal "break" periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks. However, public funds may not be expended to purchase beverages and food for normal day-to-day County operations or routine staff meetings."

The Chief Probation Officer authorized these miscellaneous expenses (e.g., coffee, non-alcoholic beverages, and food), under the belief that these meetings were not "normal day to day or routine staff meetings" and the expenses would facilitate the efficient conduct of critical Probation Department business at a reasonable cost. Probation administrative leadership meetings occur approximately monthly (which is similar to or less frequent than the approved example given in MLTTP section 3.2f, board or commission meetings), occasionally lasting in excess of four hours over normal break/lunch times. Meeting topics often include critical discussions such as strategic planning for the department, officer safety, public safety and bringing a balanced offender management approach to our Placer County criminal justice system.

After being advised that we incorrectly interpreted the policy, we immediately reimbursed the funds, plus additional monies to account for instances through November 17, 2020, (at which time the Department became aware of the issue and ceased purchase of these items-full payment receipt available as required) were deposited into the Treasury on December 10, 2020. Appropriate staff (cardholders and approvers) have been re-trained on the appropriate interpretation of the MLTTP section 3.2f. Further, the item listed in example #2 has also been redistributed and the appropriate staff (cardholders and approvers) have been re-trained in the appropriate County policies.

## Observation #2- Purchases were Approved without Adequate Documentation

We identified numerous instances where procurement purchases were not supported with adequate documentation. This included:

- Missing Department Head approval for miscellaneous expenses for special event,
- Missing Department Head (or the County Executive Officer) approval for employee recognition expenses,
- Travel costs were not support with Travel Request (TR)/Spend Authorization (SA) number,
- Missing itemized hotel bill and other required documentation for overnight lodging,
- Missing justification/approval for upgrade service, and
- Supporting documentation was uploaded after the reconciliation period.

Section 3.2 of the PCP discusses the accountability of Cardholder and Approver and states, "Cardholders shall review their statement of transactions and provide the appropriate documentation for all purchases. All transactions must be submitted and reviewed by the

Cardholder within the defined timeframe for each cycle period..... Approvers shall review the Cardholder's transactions and confirm that appropriate documentation is provided, the purchase is appropriately budgeted, and in accordance with County policies and procedures. All transactions must include the applicable department accounting information and be reviewed by the Approvers within the defined timeframe for each cycle period."

In addition, Section 3.3 of the PCPPM states the Limited Program Administrator (LPA) shall "ensure that any needed documentation is attached to each cardholder statement and that the online documentation represents a full and complete summary of all the needed and required documentation to validate the purchases."

## Missing Department Head Approval for Miscellaneous Expenses for Special Event

<u>Example</u>: On 12/10/2019, the Cardholder purchased pastries and fruits totaling \$28.98 for a four-hour long program event that involves both public and private participants. However, we did not find the required approval from the Department Head or designee included in the supporting documents.

Section 3.2C of the MLTTP states, "Department Heads may authorize other miscellaneous expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at board or commission meetings, seminars, and workshops that extend over normal "break" periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks."

# Missing Department Head (or the County Executive Officer) Approval for Employee Recognition Expenses

<u>Example</u>: Between 7/2/2019 - 7/18/2019, the Cardholder made four separate transactions to purchase items for office decorations for the Probation Services Week. Section  $3.2D^2$  of the MLTTP requires approval from the Department Head (or the County Executive Officer can approve) for departmental employee engagement and recognition events or activities supporting the County's Employee Engagement Initiative. However, we did not find the required approval included in the supporting documents.

Upon auditor's inquiry, the Department provided the Department Head's approval for the employee recognition expenses.

<sup>&</sup>lt;sup>2</sup> Section 3.2D is now Section 3.1i in the revised MLTTP that was updated on 5/5/2020.

## <u>Travel Costs were not Supported with TR/SA Number &</u>

## Missing Itemized Hotel Bill and Other Required Documentation for Overnight Lodging

<u>Example</u>: Between 9/22/2019 - 9/27/2019, the Cardholder traveled out-of-town to attend a conference and incurred lodging expense totaling \$787.10. However, the lodging expense was not supported with an approved TR or reference to the SA number. Also, we did not find an itemized hotel bill along with other documentation that are required for lodging reimbursement.

Upon auditor's inquiry, the Department provided the Spend Authorization for the travel expenses and the itemized hotel bill.

Section 3.1A of MLTTP states, "With overnight travel, a Travel Request on Official Business form should be completed with the exception of County staff attending Board of Supervisor meetings in Tahoe (or Auburn, for Tahoe staff)."

Please note that the revised MLTTP went into effect on 5/5/2020, and it added language to include Spend Authorization which now reads, "With overnight travel, a Travel Request on Official Business form or Spend Authorization should be completed with the exception of County staff attending Board of Supervisors meetings in Tahoe (or Auburn, for Tahoe staff). Travel Requests and Spend Authorizations are a means of documenting approval for estimated travel costs, and for the latter, committing the funds."

Section 3.6B2<sup>3</sup> of the MLTTP states, "An itemized hotel bill is always required for lodging reimbursement to be made. Reimbursement should be for single room rate. Required documentation of the conference lodging rate includes copy of conference registration information showing location, dates of conference, conference hotel(s), and single room rate."

### Missing Justification/Approval for Upgrade Charge

<u>Example</u>: On 10/11/2019, the Cardholder traveled out-of-town for County business and incurred lodging expense totaling \$733.32 which included an advance internet access charge of \$39.80. Per the hotel, basic wi-fi service is included in the resort fee. However, we did not find a reasonable explanation/approval included in the supporting documents to justify the purchase of the upgraded internet service charge.

Upon auditor's inquiry, the Department provided the business purpose justification for the purchase of the upgraded internet service charge.

Page 58 of the APPM states, "Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price......Services should be the least costly that still perform the required function."

<sup>&</sup>lt;sup>3</sup> Section 3.6B2 is now Section 3.3d in the revised MLTTP that was updated on 5/5/2020.

Section 3.3b2 of the revised MLTTP states, "Lodging should be reasonably and competitively priced, given the location and the circumstances related to the need for lodging. Upgrade charges or cancellation fees are only allowable with business purpose justification and under unusual circumstances with department head approval."

## Supporting Documentation was Uploaded after the Reconciliation Period

We found an instance in which the supporting documentation was uploaded into the Wells Fargo system after the reconciliation period (e.g., after the grace period had ended) and the Approver approved the statement without the supporting documentation. We did not find any documentation in the Wells Fargo system to explain the reason for the late submission.

<u>Example</u>: On 5/15/2019, the Cardholder made a fuel purchase and uploaded a copy of the signed Missing Receipt Form as supporting documentation. However, we noted that the Missing Receipt Form was uploaded into the Wells Fargo system one day after the reconciliation period had ended.

Upon auditor's inquiry, the Department provided justification for the late submission of supporting documentation into the Wells Fargo system.

Section 1.4 of the PCPPM discusses the post-purchase management control which states, "The Approver confirms that the transactions and associated supporting documentation from each of the Approver's assigned Cardholders are correct and that there is sufficient documentation and backup for all transactions."

#### Recommendation #2

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation are submitted in the Wells Fargo system within the reconciliation period. If the Cardholders cannot review their statements by the grace period, they must notify their Approver in advance and upload proof of the communication in Wells Fargo system. Also, we recommend the Department designate a Reconciler to each Cardholder as the Reconciler can serve as a backup to reconcile and submit Cardholder statements.

For overnight travel, staff should complete a TR/SA prior to the travel and upload the approved TR in the Wells Fargo system or if SA was used, the SA number should be stated in the "Description" field. In addition, any additional approval from the County Executive Officer (CEO), Department Head or designee that is required by County policies and procedures should be uploaded to support the transaction. We recommend the Approving Officials and LPAs perform a detailed review of the supporting documents to ensure completeness, accuracy, and compliance.

Going forward, if a condition or extenuating circumstance exists by the Cardholder which requires upgrade charge, then the Cardholder must include documentation in Wells Fargo system supporting the justification (for the exception) and approval by the Department Head/the CEO or designee for expenditure exceeding Department Head authorities.

## Department's Response:

As a rule, cardholders within the Department begin the reconciliation process as soon as practical within the reconciliation period and in relation to their other assigned duties. Reconcilers are assigned to each cardholder, currently the reconciler is the manager for each cardholder. Spend Authorizations are always in place prior to travel within the Department, as the Spend Authorization is used by the Department as the Travel Request. It should be noted that the exception noted occurred during the initial adoption of the Workday system and staff involved were still training and learning the required actions to coordinate practices between the Workday and Wells Fargo systems. All cardholders have been retrained to provide better and more complete descriptions and documentation on their statements/SA's. All approving officials and the LPA have been counseled on performing detailed reviews of each transaction.

## Observation #3- Lack of Detailed Description for Transaction

We identified instances in which the Cardholder did not include a detailed description of the transaction to justify the purpose of County business.

Per Section 3.1.1 of the PCPPM, the Cardholder's actions include "adding a detailed description and updating the coding for each transaction."

<u>Example #1</u>: On 8/1/2019, the Cardholder purchased a text to speech software and did not provide the business purpose for the purchase (e.g., who was the purchase for and why was the purchase made). Specifically, the Cardholder stated "software program" in the description.

Upon auditor's inquiry, the Department provided the detailed description of the transactions which confirmed the County business purpose.

Example #2: On 2/26/2020 and 2/28/2020, two Cardholders incurred parking expenses in Sacramento in the amount of \$30 and \$20, respectively. Although the parking receipts were uploaded in the Wells Fargo system, the Cardholders did not provide the business purpose for the transactions and only stated "parking" in the description. Therefore, we cannot verify the County business purpose of the transactions.

Upon auditor's inquiry, the Department provided the detailed description of the transactions which confirmed the County business purpose.

### Recommendation #3

Without a detailed description, the reviewer/approver cannot determine the legitimate business purpose of the transactions. Therefore, we recommend the Cardholder include a detailed description explaining the County business purpose for the purchase in the "Description" field or on the supporting documents uploaded when he/she reconciles the statement. The description should provide sufficient information about the purpose of conducting County business.

## **Department's Response:**

While noting that it is important to ensure detailed documentation in keeping with County policy is provided, the Department notes that the second example for this observation/recommendation (Lack of Detailed Description for Transaction) occurred in the first days of the pandemic as the Department focused nearly exclusively on determining appropriate staffing and measures to take in response to the emerging situation. The employees involved were management staff known to typically provide detail as dictated by policy and they may have been distracted with working to provide for staff safety during the initial days of the first work from home order that coincided with the reconciliation period. All cardholders have been retrained to provide better and more complete descriptions on their statements. All approving officials and the LPA have been counseled on performing detailed reviews of each transaction.

The Department appreciates the communications with the audit staff throughout this process and has addressed operational areas as needed to strive for consistent and appropriate application of County policy. The Placer County Probation Department prides itself on the careful execution of its duties and transparent presentation of business operations out of respect for the public we serve.

The Department's responses to the recommendations identified in our audit are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Department's staff throughout the course of the audit.

Respectfully,

Nicole C. Howard, CPA

Assistant Auditor-Controller

cc: Chris Artim, Administrative & Fiscal Operations Manager

Brett Wood, Purchasing Manager, County Executive Office

Placer County Audit Committee